



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

February 24, 2004

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

## MARCH 2, 2004 STATEWIDE PRIMARY ELECTION BALLOT MEASURES

This is to provide you with information about the four statewide propositions on the March 2, 2004 primary election ballot. The Board has support positions on Propositions 56, 57 and 58, but has not taken a position on Proposition 55.

- Proposition 55: Kindergarten-University Public Education Facilities Bond Act of 2004. Bond Act. – **No Position**
- Proposition 56: State Budget, Related Taxes, and Reserve. Voting Requirements. Penalties. Initiative Constitutional Amendment and Statute. – **Support** (Board Action: August 5, 2003)
- Proposition 57: The Economic Recovery Bond Act. Bond Act. – **Support** (Board Action: February 17, 2004)
- Proposition 58: The California Balanced Budget Act. Legislative Constitutional Amendment. – **Support** (Board Action: February 17, 2004)

Attachment I includes a brief summary of each proposition and comments from proponents and opponents. Attachment II is a list of all County and other local jurisdiction initiatives which have qualified for the March ballot.

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Please let me know if you need additional information, or your staff may contact Max Schmidl at (213) 893-2164.

DEJ:GK  
MAL:MS:ib

#### Attachments

c:     Executive Officer, Board of Supervisors  
       County Counsel  
       All Departments  
       Legislative Strategist

**PROPOSITION 55: KINDERGARTEN-UNIVERSITY PUBLIC EDUCATION FACILITIES BOND ACT OF 2004. Bond Act. – COUNTY POSITION: NONE**

Proposition 55 would authorize the State to issue \$12.3 billion in general obligation bonds to relieve overcrowding and repair older schools. Ten billion dollars of the proceeds would be earmarked for construction and renovation of Kindergarten through grade 12 school facilities and \$2.3 billion would be for higher education facilities.

**Kindergarten Through Grade 12 Facilities.** Of the \$10 billion for Kindergarten through grade 12 projects, \$5.26 billion would be allocated to buy land and construct new school buildings. A school district would be required to contribute 50 percent of the project costs unless it qualifies for State hardship funding. Up to \$300 million of the \$5.26 billion in new construction funds would be available for construction of charter school facilities. Existing school facility reconstruction or modernization projects would receive \$2.25 billion. School districts would be required to pay 40 percent of these project costs. Districts with schools considered critically overcrowded would be allocated \$2.44 billion. A total of \$50 million would be available for joint-use projects, such as a facility constructed for use by both a school district and local library district.

**Higher Education Facilities.** Proposition 55 would provide \$2.3 billion to construct new buildings and infrastructure, renovate existing buildings, and purchase equipment for the State higher education system. It would allocate \$690 million each to the University of California and California State University and \$920 million to the California Community Colleges. Specific projects would be selected by the Legislature and the Governor.

The Legislative Analyst's Office (LAO) estimates that if the \$12.3 billion in bonds is sold at the current interest rate of 5.25 percent, and repaid over 30 years, the cost would be about \$24.7 billion to pay off the principal and interest.

Proposition 55 is supported by the University of California Board of Regents, California State Parent Teachers Association, California Teachers Association, California Chamber of Commerce, California Taxpayers' Association, League of Women Voters of California, California State Association of Counties, California State University, and the California Community Colleges.

Those who signed the opposing ballot argument include State Senator Rico Oller, the National Tax Limitation Committee and the 60-Plus Association.

Proponents of Proposition 55 contend that it is needed to repair old and outdated classrooms and that the new construction and repair projects financed by the measure will create thousands of new jobs and add billions in local economic activity throughout the State. Further, Proposition 55 targets funds to repair and upgrade school facilities and build new classrooms where the need is greatest by providing specific funding for areas where classrooms are now severely overcrowded and for new and growing communities requiring new schools.

Opponents indicate that school construction in California is already plagued by waste, bureaucracy and government mandates and that the bond measure does nothing to alleviate these problems. Because the money will only be spent in districts wealthy enough to raise the 40 percent matching funds, there is no guarantee that a particular school district will receive funding from the measure.

The County did not take a position on AB 16 (Hertzberg) of 2002 which placed Proposition 55 on the ballot. AB 16 also included Proposition 47, the Kindergarten-University Public Education Facilities Bond Act of 2002, which was approved by the voters on November 5, 2002.

**PROPOSITION 56: STATE BUDGET, RELATED TAXES, AND RESERVE. VOTING REQUIREMENTS. PENALTIES. Initiative Constitutional Amendment and Statute. – COUNTY POSITION: SUPPORT**

Proposition 56 would amend the State Constitution and existing statute to change the State budget process. It would permit the Legislature to enact the State Budget and related tax and appropriation bills with a 55 percent vote rather than the two-thirds vote currently required. The measure would prohibit members of the Legislature and the Governor from collecting their salary for each day the Budget is late and would require that the Legislature stay in session until the Budget is passed. It would require the State Ballot Pamphlet to explain how State Budget funds are being spent. It would also require that 25 percent of excess revenues be placed in a reserve fund until the fund reaches 5 percent of prior-year spending. Reserve funds could only be used in an emergency or when spending on current service levels exceeded available revenues. Finally, Proposition 56 would prohibit a Legislator from punishing or threatening to punish another legislator for a budget-related vote.

The Legislative Analyst's Office (LAO) indicates that Proposition 56 would make it easier for the Legislature to agree on budget related bills, noting that the extent of the impact would depend on the State's financial circumstances and the composition of the Legislature. By making it easier to approve tax increases related to the budget, the LAO observes that it could result in higher tax revenues than otherwise would have occurred. Further, the new reserve requirements would result in higher reserve levels which could lead to less fluctuation in State spending by reducing spending in high revenue growth years and helping to sustain current service levels in low revenue years.

Proposition 56 is sponsored by the Service Employees International Union, and supported by the American Federation of State, County and Municipal Employees, American Federation of Labor and Congress of Industrial Organizations, California Budget Project, California Federation of Teachers, California National Organization for Women, California Professional Firefighters, California State Employees Association, California State Parent Teachers Association, Center on Policy Initiative, Coalition for Community Health, Congress of California Seniors, Consumer Federation of California,

Health Access, League of Women Voters of California, Mental Health Association in California, Older Women's League of California, Planned Parenthood Affiliates of California, California State Council, Teamsters Union, and the United Farm Workers, and many others.

It is opposed by the California Taxpayers' Association, Citizens Against Government Waste, Howard Jarvis Taxpayers Association, California Chamber of Commerce, Californian's Against Higher Taxes, Americans for Tax Reform, California Space Authority, California State Sheriffs' Association, California State Automobile Association, American Insurance Association, California Building Industry Association, California Business Alliance, the Seniors Coalition, 60 Plus Association, Supervisor Michael Antonovich, and many others.

Proponents of Proposition 56 contend that it would end the budget gridlock that the State faces each year by making it easier for the Legislature and the Governor to complete the Budget by the constitutional deadline and penalizing them with the loss of their salary for each day of delay. They argue that the two-thirds vote requirement gives a minority of legislators the power to hold the Budget hostage each year and prevents the majority from passing the budget on-time.

Opponents maintain that the existing two-thirds vote requirement protects Californians from excessive spending and burdensome tax increases.

**The Board voted to support Proposition 56 on August 5, 2003.**

**PROPOSITION 57: THE ECONOMIC RECOVERY BOND ACT. Bond Act. COUNTY POSITION: SUPPORT**

Proposition 57 would authorize the State to issue a bond of up to \$15 billion to help address the State's accumulated budget deficit of \$26 billion, according to the Governor.

The Legislative Analyst's Office (LAO) indicates that the bond authorized by this measure would replace the deficit financing bond of \$10.7 billion authorized last year by the Legislature, which is being challenged in court because it was not approved by the voters. According to the LAO, the proceeds from the proposed bond would be up to \$4 billion more than from the previously authorized bond. The State would also realize near-term savings on debt service because the payments would be based on one-quarter cent of annual sales taxes instead of one-half cent. In the short term, annual State General Fund costs would be one-half the cost of the currently authorized bond. However, these savings would be offset by higher costs in the long term because the proposed bond is larger and will take longer to repay.

The LAO indicates that the proposed bond is likely to take between 9 and 14 years to repay, compared to 5 years for the currently authorized bond. Funds from the Budget Stabilization Account created by Proposition 58, also on the ballot, would be used to

accelerate the repayment of the bond. The LAO estimates the annual General Fund costs to pay off the bond to be \$1.2 billion over a period of 14 years, unless funds from the Proposition 58 reserve reduce this period. Proposition 57 would become effective only if Proposition 58 is also approved by the voters in the March 2, 2004 Primary Election.

Proposition 57 is supported by the California Chamber of Commerce, California Manufacturing and Technology Association, California Business Roundtable, California State Association of Counties, California State Firefighters Association, California Peace Officers Association, Peace Officers Research Association of California, California Narcotics Officers' Association, California Coalition of Law Enforcement Agencies, California Taxpayers Association, Howard Jarvis Taxpayers Association, California Teachers Association, California School Boards Association, California Planning and Conservation League, Senator Dianne Feinstein, Governor Arnold Schwarzenegger, State Controller Steve Westly, Senate President Pro Tempore John Burton, and Assembly Speaker Fabian Nunez, and many others.

Those who signed the opposing ballot argument include California State Senator Tom McClintock and California State Senator Bill Morrow.

Proponents of Proposition 57 maintain that this measure would consolidate the State Budget deficit and allow California to get its finances in order without raising taxes. Without this bond California may be out of cash by June, resulting in either drastically increased taxes or unacceptable reductions in vital programs.

Opponents contend that the State already has the lowest credit rating in the nation because of out-of-control borrowing. Proposition 57 would plunge the State \$15 billion deeper in debt plus billions more in interest, and does nothing to control spending.

**The Board voted to support Proposition 57 on February 17, 2004.**

**PROPOSITION 58: THE CALIFORNIA BALANCED BUDGET ACT.** Legislative Constitutional Amendment. – COUNTY POSITION: **SUPPORT**

Proposition 58 would amend the State Constitution to require that the State adopt a balanced budget, establish a special reserve called the Budget Stabilization Account, and prohibit most future borrowing after the issuance of the bonds authorized by Proposition 57.

Currently the Governor is required to propose a balanced budget. This measure would also require that the State enact a budget in which estimated revenues meet or exceed estimated expenditures each year. If the Governor finds that revenues will be substantially short of expenditures, he or she may declare a fiscal emergency and must propose legislation to address the problem. The Governor must then call the Legislature into special session. If the Legislature fails to pass legislation to address the

Budget problem within 45 days, it would be prohibited from acting on any other bills or adjourning in joint recess until the legislation is passed.

Proposition 58 would also require that a portion of estimated annual General Fund revenues be transferred into the Budget Stabilization Account: 1 percent in FY 2006-07, 2 percent in FY 2007-08, and 3 percent in FY 2008-09 and thereafter. The transfers would continue until the balance in the account reaches \$8 billion, or five percent of the General Fund revenues, whichever is greater. The transfer would be required whenever the balance falls below the \$8 billion or five percent target. However, the annual transfers could be suspended or reduced for a fiscal year by executive order of the Governor. Fifty percent of the transfers into the Budget Stabilization Account would be used each year to repay the deficit recovery bond authorized by Proposition 57, up to a total of \$5 billion. The remaining funds could be transferred to the State General Fund through a majority vote of the Legislature and approval of the Governor.

Most future borrowing to address budget deficits would be prohibited by Proposition 58, such as general obligation bonds, revenue bonds, and some other forms of long-term borrowing. Other forms of borrowing would not be restricted including short-term borrowing to cover General Fund cash shortfalls or borrowing between State funds.

The Legislative Analyst's Office (LAO) indicates that the fiscal effects of Proposition 58 are unknown because they will vary from year to year and depend upon the actions of future Legislatures. However, the LAO anticipates that the reserve provisions may smooth out State spending patterns, and the balanced budget and debt limitation requirements could result in more immediate correction of budget shortfalls.

Proposition 58 is supported by the California Chamber of Commerce, California Manufacturing and Technology Association, California Business Roundtable, California State Association of Counties, California State Firefighters Association, California Peace Officers Association, Peace Officers Research Association of California, California Narcotics Officers' Association, California Coalition of Law Enforcement Agencies, California Taxpayers Association, Howard Jarvis Taxpayers Association, California Teachers Association, California School Boards Association, California Planning and Conservation League, Senator Dianne Feinstein, Governor Arnold Schwarzenegger, State Controller Steve Westly, Senate President Pro Tempore John Burton, Assembly Speaker Fabian Nuñez, and many others.

Although there is no apparent organized opposition campaign, those who signed the opposing ballot argument include Richard Rider, Chair, San Diego Tax Fighters; Bruce Henderson, President, Association of Concerned Taxpayers; and Joe Armendariz, Executive Director, Santa Barbara Taxpayers Association.

Proponents of Proposition 58 indicate that it will force the Governor and the Legislature to work together to find a solution to Budget problems and require them to enact a balanced Budget. Currently the Governor is only required to propose a balanced Budget.

Opponents contend that Proposition 58 does not go far enough to establish real spending limits, does not restrict accounting tricks and short-term borrowing, and offers no real protections to ensure a prudent reserve is maintained.

**The Board voted to support Proposition 58 on February 17, 2004.**



**COUNTY AND OTHER LOCAL JURISDICTION MEASURES APPEARING ON  
PRIMARY ELECTION BALLOT – MARCH 2, 2004**

**COUNTY LIBRARY TAX MEASURES (10)**

**The following cities have placed measures on their local ballots to consider adoption of a special tax to provide adequate funding for library services and facilities:**

- F - AVALON**
- H - BELL**
- I - BRADBURY**
- J - CARSON**
- M - GARDENA**
- N - HUNTINGTON PARK**
- O - LA PUENTE**
- Q - MONTEBELLO**
- T - SAN FERNANDO**
- U - SOUTH GATE**

**LOCAL JURISDICTION MEASURES (13)**

- S - ACTON – AGUA DOLCE UNIFIED SCHOOL DISTRICT – Issuance of general obligation bonds for specified school improvements.**
- C - BONITA UNIFIED SCHOOL DISTRICT – Issuance of general obligation bonds for specified school improvements.**
- CC - CERRITOS COMMUNITY COLLEGE – Issuance of general obligation bonds for specified school improvements.**
- G - CITRUS COMMUNITY COLLEGE DISTRICT – Issuance of general obligation bonds for specified school improvements.**

**COUNTY AND OTHER LOCAL JURISDICTION MEASURES APPEARING ON  
PRIMARY ELECTION BALLOT – MARCH 2, 2004**

- D - COMPTON CITY** – Advisory Vote only – Support re-establishment of Compton Police Department.
- P - LA CANADA UNIFIED SCHOOL DISTRICT** – Adopt special tax for specified purposes.
- B - LA CANADA UNIFIED SCHOOL DISTRICT** – Issuance of general obligation bonds for specified school improvements.
- E - LAS VIRGENES UNIFIED SCHOOL DISTRICT** – Adopt a parcel tax to preserve quality education.
- R - LOS ANGELES UNIFIED SCHOOL DISTRICT** – Issuance of general obligation bonds for specified school improvements.
- V - MONTEREY PARK CITY** – Adopt parcel tax for public safety protection purposes.
- L - PICO RIVERA CITY** – Adoption of special tax to provide adequate funding for library services and facilities.
- A - RIO HONDO COMMUNITY COLLEGE DISTRICT** – Issuance of general obligation bonds for specified school improvements.
- K - WALNUT VALLEY UNIFIED SCHOOL DISTRICT** – Adopt a special parcel tax for specified school improvements.